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9 January 1959

TO: Assistant Director for Research and Reports
FROM: Chief, Economic Research Area
SUBJECT: Activity Report for the Month of December 1958

Current and Other Support Activity

1. Current support for OCI in December involved preparation of articles on the Chinese Communist "leap forward" and communes. The Bulgarian "leap forward" and its political implications were also of considerable interest. The Chinese Communist attempt to enter the Middle East arms trade was reported as were bloc arms deliveries to Iraq and the resumption of arms deliveries to the UAR. The 1959 Soviet budget was briefly reported, but lack of detail prevented considered reporting on this subject during December. Support for the USIB Watch Committee, though at a lower level than earlier in the fall of 1958, continued high, reflecting continuing concern over Berlin, the Taiwan Straits area, and the Middle East. Support to the DD/I and DCI included contributions to briefings for the NSC, Congressional bodies, and the press on Chinese communes and the "leap forward."

2. Support continued to be rendered to the Advisory Committee on Export Policy's ad hoc sub-group which is considering controls over the export of technical data. Messrs [REDACTED] M/CH, [REDACTED] I/PE attended meetings of this group during the month.

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3. Mr. [REDACTED] (I/ME) discussed certain aspects of Soviet military research, development, testing and evaluation expenditures with an interservice group chaired by Col. Deverall of the Joint Staff and with Mr. Walsh and Comdr. Inman of the Staff of the Assistant Secretary of Defense (Comptroller). The purpose of these discussions was to assist the services in developing an estimate of Soviet research and development with particular reference to guided missiles and space. Eventually the services, particularly the Navy and the Air Force, withdrew from the exercises. We refused to permit our participation to be construed as CIA concurrence in the final product on the basis of the fact that the appropriate channels for obtaining such concurrence would have to include GMIC, ONE, the Board of National Estimates and the USIB.

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Significant Briefings and Discussions with Persons and Groups
Outside the Agency

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5. Mr. [REDACTED] Acting Chief, Economic Research Area briefed the White House staff and, together with Mr. [REDACTED] Chief, Analysis Division, briefed the Chairman of the President's Council of Economic Advisors on the Soviet Seven-Year Plan Thesis.

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7. Mr. [REDACTED] and members of the USSR Branch, Analysis Division, participated in discussions with [REDACTED] on the measurement of Soviet industrial production and the evaluation of factors contributing to Soviet economic growth.

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8. ERA personnel from a number of branches participated in discussions of selected Bloc trade problems with representatives from [REDACTED] and IIA/State. Because of the broad intelligence implications of these talks and the important conclusion reached, a resume of the proceedings has been drafted and submitted to the participants for comment, after which they will be published for general dissemination within the U.S. [REDACTED] intelligence communities.

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9. Chief, D/I and members of I/GM and I/ME spent several days discussing various aspects of military expenditures and guided missile production and deployment in the USSR with [REDACTED]

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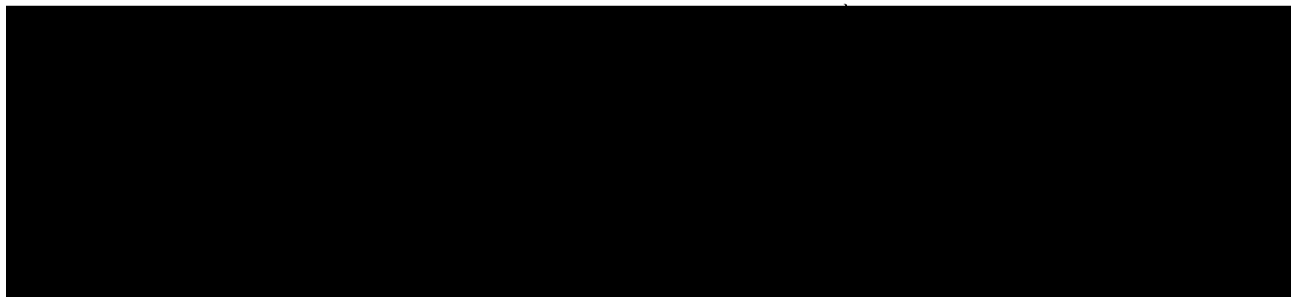
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██████████ reviewed Soviet developments in ceramic tooling and electrolytic methods of metalworking with members of I/PE in December 1958. Mr. ██████████ concluded that the USSR, under pressure to conserve alloying elements, has developed ceramic cutting techniques to a stage more advanced than that of the US.

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Research, Planning and Program Development

11. Mr. Norman Lawrence of the Foreign Manpower Research Office (Census) has informed D/A that the Air Force may reduce its support of the FMRO because of budgetary constraints. He thinks that this reduction might be as large as \$15,000 this fiscal year. If this reduction takes place, Mr. Lawrence will find it necessary to cut his staff somewhat and he has indicated that he felt this cut would probably fall on those people working on China.



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13. Although progress has been made in obtaining informally advance copies of Signal Corps (USASIA) contributions to the electronics equipment subsections of the Soviet Bloc MIS, for branch review, the quality of these contributions is still mediocre, their review absorbs excessive ERA time, and their revision by the originating agency prejudices the meeting of the deadline to OBI. This condition is believed to reflect the limited analytical potential of USASIA rather than a reluctance on its part to be cooperative.

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14. Messrs. ██████████ Chief, D/S and ██████████ Chief, S/TR, discussed the status of intelligence research and reporting on Sino-Soviet Bloc merchant shipping with ONI and AFCIN representatives. A staff study on

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priority research deficiencies in the field is being prepared by Mr. ██████████. This paper will be presented at an early meeting of the TSC and will serve as a Community guide for the elimination of research deficiencies as well as a means for a more effective allocation of Community resources to eliminate such deficiencies. As an immediate measure S/TR has undertaken to maintain an all-source register of all Bloc chartering of Free World vessels.

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15. The possible lack of funds for proposed external research on Chicom agriculture threatens to limit seriously the research program of M/AG. Dropping negotiations at this time could also prove quite embarrassing to the Agency, inasmuch as they have been underway for some time.

16. Consideration is being given by M/FP to establishing an annual project which will provide a brief summary of the fuels and power industries of China. Experience indicates that there is considerable consumer interest in this type of intelligence which, although included in contributions to the annual NIE, rarely appears in the IP or completed NIE.

Significant Developments in intra-Agency Relations

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17. Mr. [REDACTED], Chief, M/NF participated in the first meeting of a DD/I task force that is to survey the operations of OCR/IR. At this organizational meeting, [REDACTED] OSI, was elected chairman and preliminary plans for the task team's investigation were discussed. The group will undertake an on-the-spot study of IR functions and activities prior to the preparation of a formal report to the DD/I. A second meeting has been scheduled for mid January.

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18. Mr. [REDACTED] Chief, St/PR, participated in the meetings of the Agency Planning Group for a Mechanically Integrated Reporting and Communications System. During December, the Group received a series of background briefings on various aspects of the reporting, communications and document dissemination systems. Mr. [REDACTED] Deputy Chief, D/I, briefed the Group on the range and variety of the ERA research product, based on sample types of ERA reports. Attention was given to the types of problems addressed by different ERA components, the kinds of sources used in dealing with particular problems, the timeliness of field reporting, and requirements for the recovery of sources from central files.

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19. Mrs. [REDACTED] and Mr. [REDACTED] (I/GM) made presentations on various current developments in Soviet guided missile production and deployment at the CIA Guided Missile Forum conducted by OSI in December.

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21. D/M is proposing that another meeting of ORR analysts and FDD supervisors be held with the aim of improving FDD support to analysts doing research on the European Satellites. St/I/D has been requested to handle the necessary arrangements.

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Miscellaneous

22. As of 31 December 1958, St/PR had received applications for employment from 25 candidates interviewed this fall by ERA recruiters in the field. Sixteen of the twenty-five have been put in process for ERA and five have been referred to other components of the Agency. Again this month several qualified candidates were referred to us by ERA analysts, thereby proving the value of the personal referral effort.

23. Several members of the ERA attended the American Economic Association meetings in Chicago. Messrs. [REDACTED] A/PC, presented critiques of papers at the meetings.

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St/PR/RR: [REDACTED]:blw/2803 (9 Jan 59)